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Congress of the United States
House of Representatives
Washington, DC 20515–4906

July 9, 2004

Dear Colleague:

I would like to call your attention to a key difference between the federal government's two student loan programs: taxpayer subsidies.

Taxpayer Subsidy on Student Loans*

Fiscal Year	*2004*	*2005*
Federal Family Education Loans	9.19%	10.06%
Direct Loans	-1.19%	-2.9%

(Negatives reflect funds netted to the Treasury)

The exact same loan is provided by both programs. Can you guess which one is better for taxpayers?

I have introduced legislation, the **Direct Loan Reward Act** (H.R. 4370), that would encourage schools to use the more taxpayer efficient Direct Loan program. In exchange, students at those schools would receive significantly higher Pell Grants, financed through a portion of the savings generated by Direct Loans. No increase in tax expenditures is necessary.

For more information about the Direct Loan Reward Act, or to cosponsor, please call Jason Delisle at 5-2476.

Sincerely,

Thomas E. Petri
Member of Congress

* Source: OMB FY05 Budget Documents http://www.whitehouse.gov/omb/budget/fy2005/pdf/cr_supp.pdf, pages 2 and 4